CREIT

BUILDING WEALTH ON A SOLID FOUNDATION

1999 ANNUAL REPORT

A Comfortable Story

About this report:

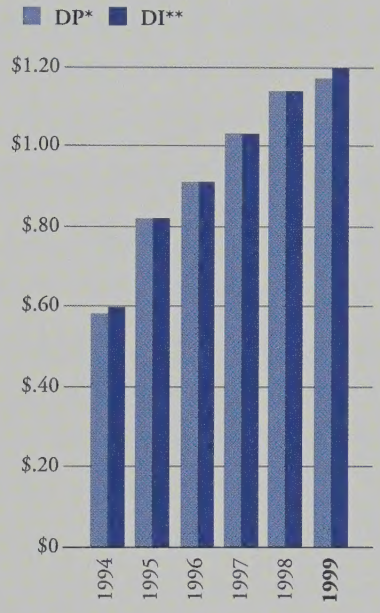
CREIT's principal goal is to deliver a reliable yield from a high-quality real estate portfolio. In this report, we feature three of the properties that contribute to our comfortable "reliable yield" story. Pictured on the front cover are Trevor Lee, Rosie Hecimovic and Rob O'Brien at Starbucks Coffee, Pinetree Village Shopping Centre, Coquitlam, British Columbia.

Please see the complete story of Pinetree Village on page 6 of this report.

Canadian Real Estate Investment Trust ("CREIT") is dedicated to building wealth for its Unitholders through reliable and, over time, growing monthly income as well as long-term value enhancement. CREIT owns a quality portfolio of more than 100 retail, office, industrial and multi-family residential properties. Its disciplined approach minimizes risk while delivering exceptional long-term returns.

1999 OPERATIONAL HIGHLIGHTS

- Additions to income properties of $68.9 million
- Distributable income increase of 5.5%
- Decline in weighted average cost of debt of 28 basis points
- Two-phase internalization of Management of the Trust
- 1.6 million square feet of lease transactions during 1999



**DP – Distributions Paid per Unit*
***DI – Distributable Income per Unit*

(Millions of dollars except per Unit amounts)	**1999**	1998	% Change
Total Assets	**$ 730.4**	$ 713.4	2.4%
Property Rental Revenue	**$ 106.1**	$ 102.0	4.0%
Distributable Income	**$ 39.8**	$ 37.7	5.5%
Distributable Income per Unit	**$ 1.20**	$ 1.14	5.3%
Cash Distributions Paid per Unit	**$ 1.17**	$ 1.14	2.6%

Number of Properties	**1999**	1998
Retail	**36**	35
Industrial	**55**	53
Office	**9**	9
Multi-Family Residential	**2**	2
Miscellaneous	**2**	2
Development	**–**	1
	104	102

The past year has proven to be a very active one for CREIT. The year witnessed a much-anticipated consolidation in the real estate investment trust ("REIT") industry. CREIT was involved extensively throughout 1999 in negotiations to merge compatible entities into CREIT. In one case, our proposal received the approval of the merger candidate's Board of Trustees but was turned down in favour of a rival bid at a meeting of Unitholders. While we were disappointed by their outcomes, we are satisfied that our bids were appropriate for our own Unitholders, and that "success" through a higher bid would not have been in CREIT's interest.

With respect to operations over the past year, our portfolio performed normally. We raised no new capital during the year, but did dispose of $39.4 million of non-strategic assets and added $68.9 million of income property to strengthen the portfolio. We undertook the successful redevelopment of two retail mall assets, both of which are being converted into stronger and better-positioned unenclosed retail centres. In the case of the Brookdale Mall in Cornwall, a new Wal-Mart store was constructed, with Wal-Mart committed to a 20-year lease. And the Baie D'Urfé property, a small existing mall in suburban Montreal, is being converted into a community strip centre. Both undertakings are unfolding successfully, and will add to distributable income once completed later in the current year.

Also of significant importance during the year was the completion of the internalization of Management by terminating the Management Agreement and acquiring the assets of the Manager. As part of this agreement, we will also terminate the Property Manager and acquire its assets in early 2001. This internalization of both asset management and property management will give CREIT distinctive new strategic options.

In most respects, the past year was prototypical for a real estate portfolio of the type that CREIT has been building. Our distributable income for the year was $1.20 per Unit, a 5.3% increase over the previous year.

Lately, real estate equity securities have been quite weak, leading to much talk of privatizing and equity buy-backs.

Our own Units, which closed at a price of $9.10 on February 29, are yielding 12.9% and are trading at a significant discount to CREIT's net asset value. There seems to be market anxiety connected to the peaking of real estate values, the rise in interest rates and the effect these events will have on distributions. The most frequent question that I have been asked lately is "Are you going to be able to maintain your distributions?" My answer is an emphatic yes. That is the way we have positioned CREIT. We intend to remain reliable.

We continue to be of the view that high-quality real estate properties have a singular capability to deliver sustainable cash flow. This is what distinguishes good real estate property from other sources of investment cash flow. While not as safe as highly rated bonds, CREIT's cash flow is significantly safer than many market alternatives.

Why then is the market demanding such a high yield to hold our Units when 10-year government bonds are yielding 6.6%?

We think there are two reasons.

First, a segment of the market is not yet confident that our distributions will continue at this level. Only time will convince this group that CREIT's distributions are reliable. We will need to demonstrate the reliability through good and bad real estate markets. Given sufficient time, we intend to do so.

The most frequent question that I have been asked lately is "Are you going to be able to maintain your distributions?" My answer is an emphatic yes.

Second, we are experiencing selling pressure because we have attracted some inappropriate investors. Some investors were attracted to the REIT sector for "growth," and now are selling because the industry cannot deliver growth relative to other sectors. CREIT has never believed that its appeal was to the investor seeking high growth. We cater to a more conservative investor looking primarily for yield.

It is important to take a moment to explain this view of our industry, and what it can mean for Unitholder returns.

Real estate investment property has traditionally delivered a reliable return on capital. In the current market, prime assets trade at total rates of return of approximately 10% to 11%, comprised of current yields of 9% to 10% with annual inflationary growth adding the remainder. Industrial companies operating in "growth" industries generate returns on invested capital of several times these figures.

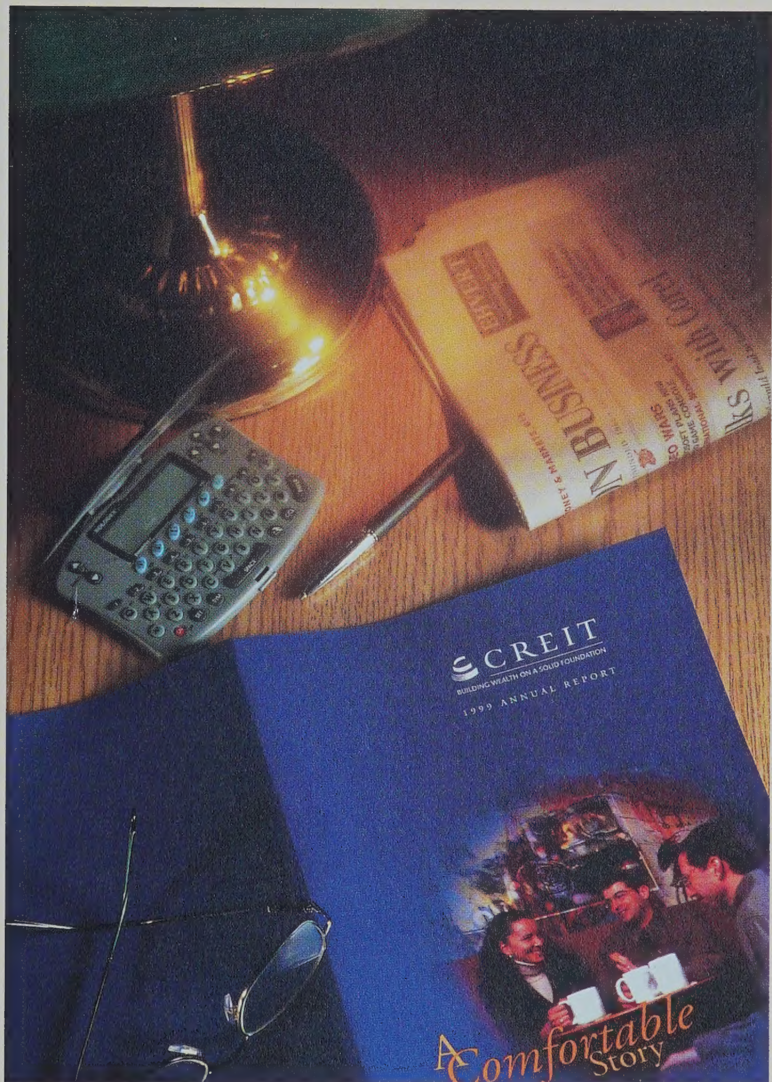
With debt (in the case of CREIT, 50%), real estate equity returns can be raised to 12% to 13%.

And this is essentially what CREIT has been designed to deliver: an initial cash yield of perhaps 9% on new money, plus some 2% to 4% annual growth to provide the full return that is within the industry's capability. At our current price, the market seems to be demanding an initial yield of 12.9%, *plus* the growth.

It is true that there are some activities in the industry that can deliver greater yields. Development and "value-added" activities will deliver better returns but with higher risks, a strategy that requires giving up some reliability. At CREIT, we don't believe in that trade-off. The arithmetic just doesn't work. As a portfolio grows larger, the incremental yield from new development activity, which can only happen at the margin of a large asset base, would not appreciably change the return on the overall portfolio. However, development activity would certainly remove the "reliability" label from our distributions.

It is for this reason that CREIT has focused on investment property. In fact, we aim to continually move up the quality ladder where initial yields are lower but more reliable. We are determined to cement in our investors' minds that we will be reliable. We intend to attract the investor who is investing primarily for yield – a yield that is significantly higher than can be achieved with bonds. We will also deliver some growth and provide the added advantage of a tax deferral. These are precisely the benefits that have attracted wealthy families to real estate investing over the centuries. CREIT is structured to deliver these benefits to our investors.

We intend to continue to tell this story, and to stay focused on its execution. We also expect our investors to be appropriately rewarded for their patience in due course.



Delivering a reliable yield from a quality portfolio is what CREIT *is all about.*

Stephen E. Johnson
President and Chief Executive Officer

Whether they are attracted by the golf course, the view of Mount Baker or the scenic 25-minute waterfront train ride from downtown Vancouver, more and more people have come to appreciate the beauty and amenities of Coquitlam, British Columbia.

Nestled at the foot of the rugged Coastal Mountains, Coquitlam is home to thousands of professionals who travel to downtown Vancouver offices every day. It is also the location of Pinetree Village Shopping Centre, one of CREIT's premier retail properties.

Whether one travels by car or train, it is hard to miss Pinetree Village Shopping Centre. It is on the "coming home corner" of the two key commuter arteries – Barnett and Lougheed highways. At this same intersection sit the Park & Ride station, the city centre and a regional enclosed mall. There is no more convenient or lively a place for residents to stop on their way home from work or to spend a relaxing weekend.

With its position on the most prominent retail corner in the city, Pinetree Village is "proprietary" real estate in every sense of the word. There are no comparable sites for new development in the area. An eclectic mix of stores appeals to the every need of Coquitlam's established, affluent population. Blue-chip tenants include Save-On Foods, Starbucks, Future Shop, A&W, Canada Trust and Cineplex Odeon. Not surprisingly, Pinetree Village has enjoyed near 100 per cent occupancy from day one.

For CREIT, Pinetree Village Shopping Centre epitomizes the quality we seek in our properties – quality that will deliver reliable income and capital appreciation for years to come.

"Pinetree Village is located in an absolutely terrific trade area. Our store is one of the top performers in the Lower Mainland and Fraser Valley regions of British Columbia."

Paul Hollands
Executive Vice-President and Chief Operating Officer
A&W Food Services of Canada Inc.

Waterfront real estate is generally reserved for luxury condominiums and exclusive homes. It is rarely used for rental purposes. This is what makes CREIT's two multi-family rental apartments on Lac St. Louis so special.

Our properties at 30 and 80 Lakeshore Drive are located in Pointe-Claire, Quebec, a suburb west of Montreal's downtown core and minutes from the international airport at Dorval. These mid-rise buildings overlook tranquil Lac St. Louis and are surrounded by well-groomed gardens and parkland. They are equipped with extensive amenities including indoor swimming pools, saunas, closed-circuit security monitoring and laundry rooms on each floor. The 126-unit building at 80 Lakeshore Drive is air conditioned throughout. The 161-unit building at 30 Lakeshore offers fitness facilities and large suites. Both properties feature spectacular views of the water and have been virtually 100 per cent occupied since CREIT purchased the properties.

The Lakeshore buildings are prize acquisitions for CREIT. Multi-family residential properties have historically been a very stable and strongly performing class of real estate. Unique locations in large cities further enhance income reliability.

These assets represent an extraordinary investment. Lakefront land is not only rare but is also difficult to acquire. When available, it is typically slated for luxury condominium development, where developers can generate hefty entrepreneurial profits. Because of this barrier to entry factor, CREIT's buildings – offering luxury rentals on the water – will likely not face any serious competitive risk over the foreseeable future.

"There is no question this is one of the highest-quality rental buildings in the West Island. I thoroughly enjoy living here."

Anita Leblanc
80 Lakeshore Drive, Pointe-Claire, Quebec

Outstanding demographics, a vibrant and diversified economy, stable employment and a central location are among the factors that draw so many retailers to the Chicago Metropolitan Area. The Area is the third largest in the United States. It is the business and financial centre of the Midwest, with only New York having more Fortune 500 headquarters. All in all, Chicago is the ideal environment for a retailer.

For many of the same reasons, CREIT's first foray into the U.S. market was the acquisition of The Shops at Oak Brook, a high-quality, non-enclosed retail centre situated just five miles west of Chicago. The Shops have outstanding demand fundamentals, beginning with the demographics. Approximately 270,000 people live in this community, which boasts an exceptionally high average household income of U.S. $88,000.

The Shops are sandwiched between 22nd Street and Interstate 88 – great ingress and egress from these main thoroughfares. Traffic levels are high and further inflated by Oak Brook Mall, the landmark enclosed shopping centre just down the road. Oak Brook Mall consistently ranks among the best in North America in terms of sales productivity. Yet The Shops at Oak Brook are distinctively different from those at the larger mall. Among CREIT's tenants are the established, off-price retailers that are taking North America by storm. They include T.J. Maxx (operating as Winners in Canada), Old Navy (a subsidiary of The Gap), Mikasa and Zany Brainy. Some of America's most renowned stores have jumped on the whisper of an opportunity to move into The Shops.

CREIT has found the very definition of "proprietary real estate" in The Shops of Oak Brook, with excellent demand fundamentals, the product of choice for tenants and significant barriers to entry for new competitive developments. These are the attributes that CREIT strives to acquire.

"The Shops at Oak Brook have it all from both retail and real estate perspectives – outstanding demographics, superb location and solid tenants."

Rudy Banducci
Property Manager

Property	Location	Ownership Interest	Total Ar (Sq. Ft.
Retail Properties			
Island Home Centre	Victoria, BC	100%	163,97
Discovery Harbour	Campbell River, BC	50%	389,32
Pinetree Village	Coquitlam, BC	100%	200,27
London Village	Coquitlam, BC	100%	67,40
Maple Ridge Square	Maple Ridge, BC	100%	79,65
Spruceland Shopping Centre	Prince George, BC	65%	141,42
Columbia Place Shopping Centre	Kamloops, BC	50%	129,87
Columbia Square Shopping Centre	Kamloops, BC	50%	102,34
South Trail Shopping Centre	Edmonton, AB	100%	68,11
Clareview Towne Centre	Edmonton, AB	100%	50,82
Duggan Shopping Centre	Edmonton, AB	100%	28,11
10010 – 132 Avenue	Edmonton, AB	100%	11,23
Crossroads Shopping Centre	Edmonton, AB	50%	27,36
South Point Shopping Centre	Edmonton, AB	50%	81,65
Summer Breeze Shopping Centre	Edmonton, AB	50%	52,78
Depot 170	Edmonton, AB	100%	79,62
St. Albert Square	St. Albert, AB	100%	58,31
London Town Square	Calgary, AB	100%	117,92
Shawnessy Village	Calgary, AB	100%	102,00
Glenmore Square	Calgary, AB	100%	76,66
Cornerstone Power Centre	Medicine Hat, AB	100%	98,45
Swift Current Shopping Centre	Swift Current, SK	100%	194,79
Winston Power Centre	Oakville, ON	100%	113,83
Halton Village	Georgetown, ON	100%	74,37
Springdale Square	Brampton, ON	100%	105,81
Gardiners Town Centre	Kingston, ON	100%	105,80
Stafford Centre	Nepean (Ottawa), ON	100%	130,45
Brookdale Mall	Cornwall, ON	100%	257,87
Hull Wal-Mart Centre	Hull, PQ	50.1%	137,06
Baie D'Urfé Plaza	Baie D'Urfé, PQ	100%	68,17
9 Champlain Drive	Dieppe, NB	100%	21,92
655 University Avenue	Charlottetown, PE	100%	26,04
552 to 560 Sackville Drive	Halifax, NS	100%	15,81
135 Wyse Road	Halifax, NS	100%	10,05
The Young-Kempt Centre	Halifax, NS	100%	29,87
The Shops at Oak Brook Place	Oak Brook, IL (U.S.)	100%	176,92
Total Retail			**3,596,20**

[1] *Totals reflect CREIT's ownership interest*

EIT's Ownership (Sq. Ft.)	% Leased[1]	Major Tenants
163,979	100%	Future Shop, Michaels, Sport Chek, Business Depot, Standard Furniture
194,662	97%	Great Canadian Superstore, Zellers, Canadian Tire
200,277	97%	Save-On Foods, Future Shop, Chapters, Cineplex Odeon
67,407	98%	London Drugs, chartered bank
79,659	97%	Extra Foods, Saan Stores, Pharmasave Drugs
91,924	99%	Overwaitea, Shoppers Drug Mart, Mark's Work Wearhouse
64,938	100%	Overwaitea Foods, B.C. Liquor Store, Earl's Restaurant
51,173	99%	Toys 'R' Us, Office Depot
68,116	100%	Future Shop, Winners
50,829	100%	Future Shop, Rogers Video, Mark's Work Wearhouse
28,112	83%	Esso, Kentucky Fried Chicken
11,231	72%	Swiss Chalet
13,683	100%	Earl's Restaurant, Visions Electronics, Burger King
40,829	100%	Petsmart, Chapters
26,390	55%	Business Depot
79,628	100%	Chapters, Petsmart, Sport Mart
58,316	100%	Staples, Chapters, Mark's Work Wearhouse
117,927	97%	London Drugs, Cineplex Odeon
102,006	100%	Safeway Supermarket, Blockbuster Video, A&W, chartered bank
76,666	98%	Safeway, Shoppers Drug Mart, Alberta Liquor Control Board
98,451	100%	IGA, Staples, Mark's Work Wearhouse
194,791	99%	Zellers, Safeway
113,838	100%	Winners, Sports Authority, Business Depot
74,372	100%	Canadian Tire, Mark's Work Wearhouse, Boston Pizza
105,817	100%	Fortino's, 2 chartered banks, Blockbuster Video, McDonald's
105,807	100%	A&P, Shoppers Drug Mart, Wendy's, Pizza Hut
130,455	100%	LOEB, Winners, Mark's Work Wearhouse, Shoppers Drug Mart
257,877	88%	Wal-Mart, A&P
68,671	100%	Wal-Mart, Staples, Moores The Suit People
68,176	65%	Provigo
21,922	100%	Swiss Chalet
26,043	100%	Staples
15,816	69%	Swiss Chalet
10,050	86%	Credit Union Atlantic, ICI Paints
29,878	100%	Burger King, Steak & Stein
176,920	100%	T.J. Maxx, DSW Shoe Warehouse, Cost Plus, Old Navy
3,086,636	**97%**	

Property	Location	Ownership Interest	Total Are (Sq. Ft.)
Office Properties			
1185 West Georgia Street	Vancouver, BC	100%	165,930
1200 Burrard Street	Vancouver, BC	100%	68,782
220 Portage Avenue	Winnipeg, MB	100%	169,229
Birch-Oak Centre	Oakville, ON	100%	58,061
Credit Suisse Centre	Toronto, ON	90.9%	188,313
80 Micro Court	Markham, ON	100%	78,499
2300 St. Laurent Blvd.	Ottawa, ON	50%	40,314
100 Alexis Nihon Blvd.	Montreal, PQ	37.5%	286,417
Young Tower	Halifax, NS	100%	139,069
Total Office			**1,194,614**
Industrial/Warehouse Properties			
Eastgate Business Park (3 properties)	Edmonton, AB	100%	266,341
Norwester Distribution Centre	Edmonton, AB	100%	443,334
Bonaventure Business Park	Edmonton, AB	100%	104,347
11724 – 180 Street	Edmonton, AB	100%	94,681
15706 – 116 Avenue	Edmonton, AB	100%	57,696
Foothills Industrial Park (11 properties)	Calgary, AB	100%	749,214
Skyline Industrial Park (7 properties)	Calgary, AB	100%	334,362
8100 Park Hill Drive	Milton, ON	100%	101,463
Airport Business Park North (6 properties)	Mississauga, ON	100%	572,728
30 Aviva Park Drive	Vaughan, ON	100%	141,978
90 Nolan Court	Markham, ON	100%	123,676
925 Brock Road	Pickering, ON	100%	257,824
927, 929, 931 Brock Road	Pickering, ON	100%	57,882
1100 Squires Beach Road	Pickering, ON	100%	191,778
705 – 725 Belfast Road	Ottawa, ON	100%	55,751
510 – 560 Orly Blvd.	Dorval, PQ	100%	121,211
4771 – 4825 Couture Blvd.	St. Leonard, PQ	100%	89,765
Burnside Industrial Park (15 properties)	Halifax, NS	100%	718,960
Total Industrial/Warehouse			**4,482,991**
Miscellaneous Properties			
272 Queen Street	Ottawa, ON	100%	-
Lot 142, St. Jacques Street	Montreal, PQ	50%	-
Total Commercial Property			**9,273,807**
Multi-Family Properties			
30 Lakeshore Drive	Pointe-Claire, PQ	100%	161 unit
80 Lakeshore Drive	Pointe-Claire, PQ	100%	126 unit
Total Residential			**287 unit**

[1] Totals reflect CREIT's ownership interest

IT's Ownership (Sq. Ft.)	% Leased[1]	Major Tenants
165,930	98%	Canada Safeway, British Columbia Building Corporation, Worral, Scott and Page
68,782	87%	Chartered bank
169,229	99%	Chartered bank, Agricore
58,061	97%	Royal LePage, Nevada Bob's
171,147	95%	Credit Suisse, Ontario Medical Association
78,499	84%	Toyota Credit, Telxon, Ace Hardware
20,157	100%	ISM Information System Management
107,406	70%	Government of Canada, Quintiles, Alis Technologies
139,069	95%	Government of Canada, Rogers Cantel
978,280	**92%**	
266,341	81%	Alberta Brewers, James River, Berlinex
443,334	100%	Teco Westinghouse, Graphic Papers, United Auto Parts
104,347	100%	Anixter Canada Ltd.
94,681	86%	Crossroads Industries
57,696	100%	Kal Tire, Rentway
749,214	96%	Caytec Equipment, Globe Wood, Canadian Waste Management
334,362	98%	City of Calgary, Calgary Regional Health Authority, Field Aviation, Primco Ltd.
101,463	100%	Sauder Industries Limited
572,728	91%	Oetker, Hunter Douglas Canada, Tech Data Canada, Forzani's
141,978	100%	Alfield Industries Limited
123,676	91%	Cameo Kitchens, Raymond McClure
257,824	100%	Livingston Logistics, Vesco Profiles, Customized Transportation
57,882	100%	North American Van Lines
191,778	50%	RDP Fulfillment
55,751	100%	United Auto Parts
121,211	100%	Samuel, Son & Co., Induspac, Tubular Industries
89,765	100%	Canplast
718,960	97%	Sauder Industries Limited, Abbott Laboratories, Lawton Drugs, Cantrax
4,482,991	**94%**	
–	–	Ideal Parking (Zoned Commercial)
–	–	Zoned Industrial and Commercial
8,547,907	**95%**	
	100%	N/A
	100%	N/A
	100%	

PORTFOLIO MAP

	Retail	Industrial/ Warehouse	Office	Multi-Family Residential	Miscellaneous
Campbell River	1				
Victoria	1				
Vancouver	3		2		
Prince George	1				
Kamloops	2				
Calgary	3	18			
Edmonton	9	7			
Medicine Hat	1				
Swift Current	1				
Winnipeg			1		
Chicago	1				
Toronto	3	12	3		
Kingston	1				
Hull	1				
Ottawa	1	1	1		1
Cornwall	1				
Montreal	1	2	1	2	1
Moncton	1				
Charlottetown	1				
Halifax	3	15	1		

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Management's discussion and analysis of results of operations should be read in conjunction with the Trust's audited financial statements for the years ended December 31, 1999 and 1998.

Overview of the Business

Canadian Real Estate Investment Trust (the "Trust") was established in 1984 and became a public real estate investment trust ("REIT") in September 1993.

The Trust owns a diversified portfolio consisting of office, industrial, retail and multi-family residential properties located throughout Canada and the Chicago, Illinois, area of the United States. The portfolio is comprised of 104 properties containing 9.3 million square feet of leasable space (the Trust's ownership interest is 8.5 million square feet).

Added $68.9 million of income property

The chart below outlines the number of properties and square footage owned by the Trust in each of its geographic markets.

	Atlantic		Quebec		Ontario	
	Properties	*Sq. Ft. 000s*	*Properties*	*Sq. Ft. 000s*[2]	*Properties*	*Sq. Ft. 000s*
Office	1	139	1	107	4	328
Retail	5	104	2	137	6	788
Industrial	15	718	2	211	13	1,504
Multi-family residential[1]	–	–	2	287	–	–
Miscellaneous	–	–	1	n/a	1	n/a
	21	961	8	455	24	2,620

	Western		British Columbia		U.S.	
	Properties	*Sq. Ft. 000s*	*Properties*	*Sq. Ft. 000s*	*Properties*	*Sq. Ft. 000s*
Office	1	169	2	235	–	–
Retail	14	967	8	914	1	177
Industrial	25	2,049	–	–	–	–
Multi-family residential[1]	–	–	–	–	–	–
Miscellaneous	–	–	–	–	–	–
	40	3,185	10	1,149	1	177

	Total[2]	
	Properties	*Sq. Ft. 000s*
Office	9	978
Retail	36	3,087
Industrial	55	4,482
Multi-family residential[1]	2	287
Miscellaneous	2	n/a
	104	8,547

(1) Reflects units as opposed to square feet.

(2) Totals exclude multi-family residential units.

The Trust's goals are to provide its Unitholders with an attractive and sustainable monthly distribution of cash plus long-term capital appreciation. The chart below summarizes the cash distribution per Trust Unit, and the closing price of the Trust's Units on the Toronto Stock Exchange, on the last trading day of each calendar year.

	1999	1998	1997	1996	1995	1994
Cash distribution per Unit	**$ 1.17**	$ 1.14	$ 1.03	$ 0.91	$ 0.82	$ 0.58
Closing price	**$10.95**	$10.55	$12.70	$12.90	$ 9.38	$ 8.00

The Trust accomplishes its goals by acquiring well-located properties with quality tenants on long-term leases situated in demographically attractive areas; by striving to maintain high occupancies in its property investments; by achieving rental rate increases; by managing debt to obtain the lowest cost consistent with a policy of staggering maturities; and by systematically disposing or redeveloping non-core or dysfunctional assets.

Results of Operations

Income of the Trust before the non-recurring events set out below increased by $1.6 million to $34.5 million in 1999 from $32.9 million in 1998. Net income of the Trust decreased by 10.8% to $29.4 million from $32.9 million in 1998, and the net income per Unit decreased by 12.0% to $0.88 in 1999 from $1.00 in 1998. During 1999, the Trust embarked on certain activities which impacted earnings, but were non-recurring in nature, such as the termination of the Management Agreement, the receipt of a break fee on a merger attempt and a net gain on property dispositions.

Rental Operations

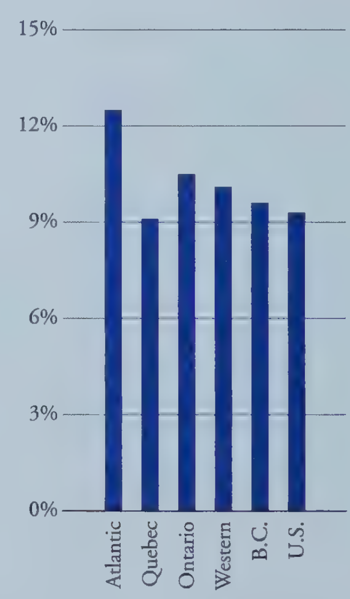
Total property rental revenue increased by $4.1 million to $106.1 million in 1999 from $102.0 million in 1998, while property operating costs increased by $1.6 million to $37.1 million from $35.5 million in 1998. Approximately one-half of the net difference between the revenue increase and the operating cost increase is attributed to the improvement in the same-asset performance and the remainder is attributed to investment activity (acquisition and developments net of property dispositions) throughout 1999 and 1998. Same-asset performance refers to assets which were owned and operated by the Trust as income property for the entire 12 months ended December 31, 1999 and the entire 12 months ended December 31, 1998.

Underlying property markets performed strongly

Each of the Trust's geographic regions recorded positive year-over-year results on a same-asset basis, ranging from a high of a 12.5% increase in the Atlantic region to a low of a 0.04% increase in British Columbia.

With the exception of the Trust's properties located in the interior of British Columbia, the underlying property markets demonstrated strong performance during 1999.

1999 Return on Book Value by Region*



**Annualized based on net operating income*

The following chart summarizes the weighted average contractual rental rates expiring over the next five years by property type. For the most part, the embedded or contractual rental lease rates in the Trust's portfolio expiring over the next five years are at or below the prevailing current market rates, except for the office portfolio in Vancouver, which will experience approximately 44,000 square feet of lease expiries in the Year 2002 which are at rates above the current market lease rates.

(Sq. Ft. 000s)

	2000		2001		2002		2003		2004	
	Net Rent	Space Expiring	Net Rent	Space Expiring	Net Rent	Space Expiring	Net Rent	Space Expiring	Net Rent	Space Expiring
Industrial	$ 3.88	1,088	$ 4.79	434	$ 4.38	746	$ 4.12	569	$ 4.57	515
Office	$ 8.69	83	$12.74	66	$17.68	86	$12.59	63	$10.27	146
Retail	$15.67	100	$14.54	205	$18.12	116	$12.10	188	$13.12	202

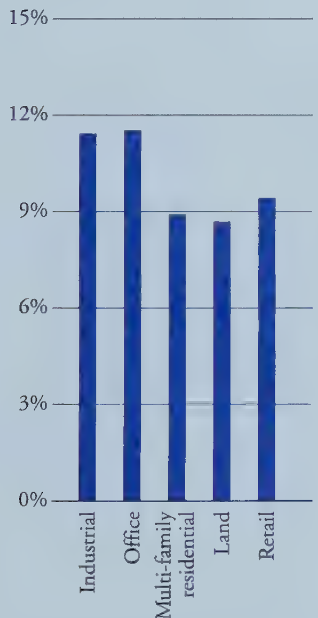
Mortgage and Bank Loan Interest

Mortgage and bank loan interest expense in 1999 increased 1.2% to $23.8 million from $23.5 million in 1998. The chart below details the year-over-year change by the source of debt:

	1999	1998	Change
Mortgage interest	**$ 20,582**	$ 21,169	$ 587
Bank interest	**3,213**	2,355	(858)
	$ 23,795	$ 23,524	$ (271)

The improvement in our mortgage interest expense (decrease of 2.8% in 1999 over 1998) is a result of financing and refinancing mortgages at rates which were lower than the rates incurred on expiring debt.

1999 Return on Book Value by Asset Class*



**Annualized based on net operating income*

In 1999, the Trust assumed or arranged $20.7 million of financing relating to property acquisitions, refinanced $85.5 million of debt, arranged $8.4 million of debt against previously unencumbered assets, retired $79.3 million of debt upon maturity and, through the purchaser assuming the debt on property sales, retired $16.4 million of debt. The Trust recorded a foreign currency translation which reduced debt by $2.6 million and repaid $6.0 million through amortized monthly payments.

The weighted average cost of debt decreased from 7.53% on December 31, 1998 to 7.25% on December 31, 1999, and the average term to maturity rose from 3.1 years to 4.4 years.

Bank interest expense increased to $3.2 million in 1999 from $2.4 million in 1998 primarily as a result of a greater reliance on the bank facilities to fund acquisitions and working capital needs in 1999.

Management's strategy as it relates to financing is to adopt a portfolio approach so as to lower the cost of debt. The better quality assets are financed with the highest leverage, and lesser quality assets have low levels or no debt at all. On a portfolio basis, the over-all leverage is limited to 50%. By adopting this approach, Management feels it has negotiated a lower cost of debt than could be obtained by leveraging each asset to 50%. During 1999, the average spread over same term Canada bonds for mortgage financing activities was 163 basis points.

Management endeavours to stagger the maturity of its debts so that the Trust is not faced with refinancing a substantial amount of debt as a percentage of the portfolio in any one year. This strategy helps to reduce exposure to interest rate fluctuations.

The table below outlines the mortgage maturity schedule of the Trust together with the weighted average interest rate on debt maturing.

Mortgage Maturity	Principal (000s)	% of Total	Weighted Average Interest Rate
2000	$ 40,623	13.3	7.23%
2001	59,054	19.3	8.42
2002	44,350	14.5	7.26
2003	64,474	21.1	7.02
2004	31,916	10.5	6.68
Thereafter	65,133	21.3	6.66
	$ 305,550	100.0	7.25%

As was the case on December 31, 1998, the longest term debt has the lowest average cost.

Amortization of Leasing Costs

Amortization of leasing costs for 1999 increased 46.5% to $2.8 million from $1.9 million in 1998. Leasing costs are deferred and amortized on a straight-line basis over the term of the respective leases. During 1999, the Trust incurred an aggregate of $5.6 million of leasing costs (including free rent inducements for new leasing activity during the year) on approximately 1.6 million square feet of leasing activity, resulting in an average cost of $3.59 for each square foot leased. This compares to an average of $4.18 per square feet leased in 1998 and $5.06 per square foot leased in 1997.

Termination of the Manager

During 1999, the Trust embarked on a two-phase Management Internalization process. The first phase resulted in the termination of the Manager on July 2, 1999, and the Trust employing directly all former employees of the Manager. On or before January 5, 2001, the Trust will terminate the Property Manager, Dorchester Oaks Property Management Inc. ("DOPMI"), and will employ directly most of the former employees of the Property Manager. At that time, the Trust will be a self-advised, self-managed real estate investment trust.

CREIT will be a self-advised, self-managed REIT

The aggregate consideration paid by the Trust for the termination of the Management Agreement and the purchase of all of the assets of the Manager used in the provision of management services to the Trust was $7.5 million, satisfied by: (i) the issuance on July 2, 1999 of 367,346 Units of the Trust at $12.25 per Unit, representing $4.5 million, and (ii) the assumption of a promissory note in the amount of $3 million, repayable on February 15, 2000.

Ten Largest Tenants

1. Credit Suisse
2. Jim Pattison Industries (Save-On Foods & Overwaitea)
3. Ontario Medical Association
4. Business Depot
5. Canada Safeway

For the period July 2, 1999 to December 31, 1999, the Trust incurred the following incremental costs as a result of internalization:

Increase in Trust general and administrative costs	$ 761,000
Interest on promissory note payable	102,000
	$ 863,000

As a result of internalization, for the period July 2, 1999 to December 31, 1999, the Trust did not incur the following costs:

Management fees	$ 1,264,000
Acquisition and disposition fees	269,000
	$ 1,533,000

For the period July 2, 1999 to December 31, 1999, internalization resulted in $670,000 of reduced costs. This translates into an increase to distributable income of approximately one cent per unit on an annual basis, after accounting for the Units of the Trust issued on the termination of the Agreement.

The Management Agreement had a low fee structure in relation to the Trust's peers in the industry. It is for this reason that the termination of the Manager was viewed as having been accomplished in a Unitholder-friendly transaction, as opposed to the cancellation of a bad contract.

During 1999, the Trust expensed the termination cost together with related professional fees and other costs associated with the termination.

Merger "Break Fee" Net of Costs

The Trust embarked upon two potential merger activities during 1999, one of which resulted in the Trust entering into a Merger Support Agreement with Avista Real Estate Investment Trust. Under the terms of the Agreement, the Trust received a $4 million break fee as the Avista Real Estate Investment Trust Unitholders approved a resolution to accept a competing merger proposal. The cost to the Trust of these merger activities was approximately $2.3 million, resulting in a net $1.7 million income to the Trust for the year.

Gain on Disposition of Property

During 1999 the Trust disposed of 739,000 square feet of non-core assets at a net gain on sale of $969,000. The Trust deployed the proceeds of sale into new property, which is aligned with the Trust's overall goals.

Gain of $969,000 on sale of non-core assets

6 Future Shop — 7 T.J. Maxx/Winners — 8 A Canadian chartered bank — 9 IPCF Properties/ Weston Foods — 10 Wal-Mart

Distributable Income

Distributable income increased 5.5% to $39.8 million in 1999 ($1.20 per weighted average Unit) from $37.7 million in 1998 ($1.14 per weighted average Unit).

The following table sets out the Trust's distributable income for 1999 and 1998:

(Thousands of dollars except per Unit amounts)	**1999**	1998	Change
Net income for the year	**$ 29,361**	$ 32,925	$ (3,564)
Add:			
Termination of the Management Agreement	**7,863**	–	7,863
Depreciation	**5,275**	4,800	475
	42,499	37,725	4,774
Deduct:			
Gain on disposition of property	**(969)**	(2)	(967)
Merger break fee net of costs	**(1,732)**	–	(1,732)
Distributable income	**$ 39,798**	$ 37,723	$ 2,075
Distributable income per Unit	**$ 1.20**	$ 1.14	$ 0.06
Distributions paid per Unit	**$ 1.17**	$ 1.14	$ 0.03
Distributions paid as a percent of distributable income	**97.5%**	100%	

Management's strategy is to increase the distributions paid at a rate which is lower than the overall increase in recurring distributable income, so as to provide a further measure of risk abatement and increase the reliability of the distributions without compromising the financial position of the Trust.

Distributable income rose 5.5%

Cash Flow from Operations

The calculation of cash flow from operations has changed during 1999, as a result of the Statement of Changes in Financial Position being replaced by the Cash Flow Statement per the requirements of the Canadian Institute of Chartered Accountants.

The primary difference in the calculation is that free rent earned by tenants is deducted prior to arriving at cash flow from operations, whereas in the past, free rent was considered a leasing cost with no impact on cash flow from operations. The Trust has adopted the requirements of the Canadian Institute of Chartered Accountants as they relate to this disclosure; however, some public real estate entities may have elected to maintain the historical disclosure practice.

Cash flow from operations for 1999 was $1.24 per Unit versus $1.21 per Unit in 1998. The portion of the costs of terminating the former Manager that were not satisfied by the issuance of Units of the Trust of approximately $3.4 million ($0.10 per Unit) has been deducted from the $41.1 million ($1.24 per Unit) cash flow from operations during 1999. This is a non-recurring expenditure.

The cash flow from operations under the former method of calculation would result in $1.26 per Unit and $1.24 per Unit for 1999 and 1998 respectively.

Liquidity and Capital Resources

The operating plan of the Trust provides for the retention of cash or debt capacity to meet the capital and leasing requirements of operations for a three-year period. The Trust amortizes as an expense all leasing costs and all capital amounts save and except such expenditures, which have the effect of creating or enhancing an income stream. If an expenditure has the effect of creating or enhancing an income, such expenditures are capitalized to income properties and depreciated.

As the Trust does not add back amortization when determining distributable income, the annual amortization reduces the annual cash requirement.

The Trust believes it has sufficient unadvanced commitments under its credit facilities to fund ongoing leasing maintenance and renovation activities.

Pursuant to the Declaration of Trust, the Trust is obligated to pay out to Unitholders the greater of the taxable income of the Trust or 90% of the distributable income of the Trust. As the majority of income earned is paid to Unitholders, opportunities for future growth of the portfolio are dependent upon access to the capital markets under favourable conditions.

Outlook

Canadian capital markets have witnessed increasing levels of volatility throughout the last few years.

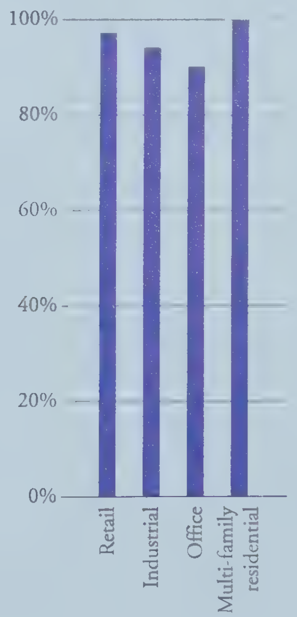
The current high cost of raising equity capital renders it difficult to acquire quality assets which will be accretive to distributable income.

Ongoing value enhancements will maximize potential

Accordingly, growth through the acquisition of single properties will become increasingly difficult for interest-sensitive purchasers such as REITs. Management's policy is to stay competitive in terms of pricing, and to be highly discriminating on the matter of asset quality.

During 1999, Management continued an ongoing program of value enhancement initiatives on certain existing properties which focuses on recycling, remerchandising and repositioning certain assets so as to maximize their potential.

1999 Portfolio Occupancy Rates



Risk Management

All income property investments are subject to a degree of risk and uncertainty. Income property is affected by various factors including general economic conditions and local market circumstances.

Income property ownership is a local business. It is subject to local risks such as oversupply of space or a reduction in demand. Management attempts to reduce these risks through geographic diversification in the Trust's property portfolio. As at December 31, 1999, the Trust held 104 properties located in nine provinces of Canada and one state in the United States.

The volatility of income from different property types differs as a result of the different underlying real estate market cycles. By maintaining a portfolio of differing property types, Management believes it is better able to produce consistent, reliable performance from the portfolio investment. In addition, by investing in different property types, Management feels it is well suited to take advantage of acquisition opportunities that may surface in certain property types at various stages of the general economic cycle.

Diversification enhances reliability and minimizes risk

Management believes that real estate is a dynamic investment requiring active management to enhance value, maximize yield and minimize risk for investors. Management deals with the complexities of the local business environment by delegating the day-to-day property management to DOPMI and other third-party managers. DOPMI is organized on a regional basis, which benefits the Trust by allowing the regional DOPMI offices to focus on the local property business.

The Trust is exposed to financial risks that arise from fluctuations in interest rates and in the credit quality of its tenants. Management deals with these risks as follows:

1) Interest Rate Risk

Interest rate risk is minimized as floating rate debt is restricted by the terms of the Trust's operating plan to 10% of total assets (including accumulated depreciation). In addition, Management attempts to structure the Trust's financings to stagger the maturities of debt, thereby minimizing the Trust's exposure to interest rate spikes in any one year.

2) Credit Risk

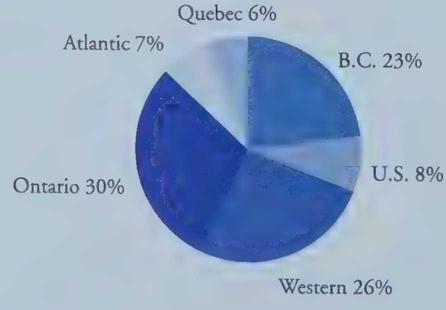
Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Management mitigates this risk of credit loss by ensuring that the Trust's tenant mix is diversified and by limiting the Trust's exposure to any one tenant. Thorough credit assessments are conducted in respect of all new leasing. The Trust also maintains a portfolio that is diversified by property type so that exposure to individual tenants and business sectors is limited. Currently, no one tenant represents more than 3% of total revenues, and the top ten tenants collectively represent less than 20% of total revenues.

Further risks arise in the event that borrowers default on the repayment of their mortgages to the Trust. The Trust endeavours to ensure that adequate security has been provided in support of mortgages receivable.

3) Currency Risk

The Trust is exposed to currency risk as it relates to its foreign assets. Changes in the applicable exchange rate could impact income to Unitholders.

Diversification by Geographic Region



To mitigate this risk, the Trust has entered into forward exchange contracts to hedge the net income after interest expense relating to its foreign assets.

Environmental Risk

The Trust is subject to various Canadian and United States laws relating to the environment. Such laws could create liabilities for the costs of removal and remediation of hazardous substances. The failure to remove or remediate such substances, if any, could impact the Trust's ability to sell or finance such impacted assets and could potentially result in claims against the Trust. Management is not aware of any material noncompliance with environmental laws or regulations with regard to the Trust's portfolio nor of any pending or threatening actions or investigations or claims against the Trust.

The Trust has formal policies and procedures which deal with limiting environmental exposures in a proactive manner during every aspect of the property life cycle. In addition, as part of the Trust's risk management program, all assets are insured against environmental exposure.

Capital Risk

Real estate by its nature is a capital intensive business. The Trust is exposed to the risk of being unable to access funds needed for capital requirements of its leasing, maintenance or renovation plans. The Trust deals with this risk by retaining cash or debt capacity according to a three-year plan. In addition, the Trust has adopted conservative accounting policies so as to reduce its distributable income by the amortization of all expenditures which fail to produce or enhance an income stream.

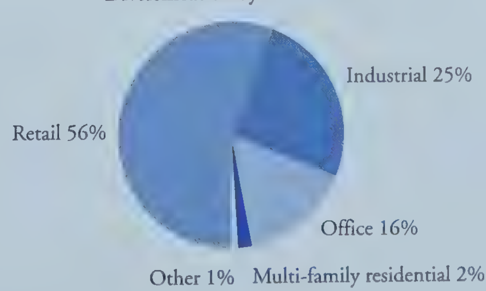
Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude all aspects of the Year 2000 Issue that may affect the Trust, including those related to tenants, suppliers, or other third parties, have been fully resolved.

During 1999, the financial accounting and property management information systems used by the Trust were replaced by DOPMI, at DOPMI's cost. The Trust has access to a state-of-the-art, highly sophisticated system that was certified Year 2000 compliant by the software vendor. The system passed through to the Year 2000 without incident.

DOPMI had implemented a plan of property inspections on January 1, 2000. DOPMI has confirmed that there were no Year 2000-related system failures, malfunctions or interruptions of service to any property, nor were there reports of vandalism or other matters that would impact tenant safety, comfort or access.

Diversification by Asset Class



AUDITORS' REPORT

To the Unitholders of Canadian Real Estate Investment Trust

We have audited the consolidated balance sheets of Canadian Real Estate Investment Trust as at December 31, 1999 and 1998 and the consolidated statements of income, Unitholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 1999 and 1998 and the results of its operations and the changes in its cash flows for the years then ended in accordance with generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Toronto, Ontario, February 4, 2000

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements and information included in this Annual Report have been prepared by management of the Trust which is responsible for their consistency, integrity and objectivity. The Trust maintains appropriate systems of internal control, policies and procedures to ensure that its reporting practices and accounting administration procedures are efficient and of high quality.

Deloitte & Touche LLP, the independent auditor appointed by the Unitholders, is responsible for auditing the consolidated financial statements and giving an opinion thereon.

The consolidated financial statements have been reviewed and approved by the Board of Trustees and its Audit Committee. This Committee meets regularly with management and the auditors. The auditors have full and free access to the Committee.

Stephen Johnson

Stephen E. Johnson
President and Chief Executive Officer
Toronto, Ontario

Timothy P. McSorley
Vice President and Chief Financial Officer

CONSOLIDATED BALANCE SHEETS

December 31, 1999 and 1998

(Thousands of dollars)	**1999**	1998
ASSETS		
Real estate assets		
Income properties *(Note 3)*	**$ 698,917**	$ 677,030
Mortgages receivable *(Note 5)*	**5,391**	14,515
	704,308	691,545
Cash and cash equivalents	**3,107**	2,569
Accounts receivable	**3,603**	3,808
Deferred charges *(Note 4)*	**18,172**	14,265
Other assets	**1,163**	1,176
	$ 730,353	$ 713,363
LIABILITIES		
Mortgages payable *(Note 7)*	**$ 305,550**	$ 295,311
Bank loan *(Note 8)*	**54,644**	47,008
Accounts payable and accrued liabilities	**22,164**	18,624
	382,358	360,943
UNITHOLDERS' EQUITY		
Unitholders' equity *(Note 10)*		
Issued and outstanding Units (1999 – 33,417,702; 1998 – 32,999,015)	**348,001**	352,420
Cumulative translation loss	**(6)**	–
	347,995	352,420
	$ 730,353	$ 713,363

Approved by the trustees:

Robert Hewett
Trustee

Lawrence Morassutti, C.A.
Trustee

CONSOLIDATED STATEMENTS OF INCOME

Years ended December 31, 1999 and 1998

(Thousands of dollars except per Unit amounts)	**1999**	1998
Revenues		
Property rental revenue *(Note 11)*	**$ 106,117**	$ 101,980
Interest and other income	**1,237**	1,100
	107,354	103,080
Expenses		
Operating costs *(Note 13)*	**37,121**	35,548
Mortgage and bank loan interest	**23,795**	23,524
Depreciation	**5,275**	4,800
Amortization of leasing costs	**2,843**	1,941
General and administrative	**2,092**	1,269
Management fees *(Notes 13 and 14)*	**1,286**	2,553
Amortization of financing costs	**419**	522
	72,831	70,157
Income before the undernoted	**34,523**	32,923
Gain on dispositions of property	**969**	2
Merger break fee net of costs *(Note 20)*	**1,732**	–
Termination of the management agreement *(Note 13(a))*	**(7,863)**	–
Net income for the year	**$ 29,361**	$ 32,925
Net income per Unit *(Note 15)*	**$ 0.88**	$ 1.00

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

Years ended December 31, 1999 and 1998

(Thousands of dollars)	**1999**	1998
Unitholders' equity, beginning of year	**$ 352,420**	$ 356,248
Net income for the year	**29,361**	32,925
Subscriptions	**5,090**	770
Issue costs	**(14)**	(65)
Distributions	**(38,856)**	(37,458)
Unitholders' equity, end of year	**$ 348,001**	$ 352,420

CONSOLIDATED CASH FLOW STATEMENTS

Years ended December 31, 1999 and 1998

(Thousands of dollars except per Unit amounts)	**1999**	1998
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Operating		
Net income for the year	**$ 29,361**	$ 32,925
Items not affecting cash		
Depreciation	**5,275**	4,800
Amortization of leasing costs	**2,843**	1,941
Amortization of financing costs	**419**	522
Amortization of maintenance costs	**533**	574
Free rent	**(851)**	(751)
Gain on dispositions of property	**(969)**	(2)
Units issued for termination of the management agreement *(Note 13(a))*	**4,500**	–
Cash flow from operations	**41,111**	40,009
Deferred leasing costs	**(5,174)**	(5,267)
Deferred maintenance costs	**(1,282)**	(1,111)
Changes in non-cash operating assets and liabilities	**3,886**	(1,694)
Total operating activities	**38,541**	31,937
Financing		
Proceeds of new mortgage financing	**102,993**	65,725
Mortgage principal repayments	**(6,011)**	(5,791)
Discharge of mortgages	**(79,332)**	(49,661)
Net proceeds from issue of new Units	**576**	705
Distributions to Unitholders	**(38,856)**	(37,458)
Due to vendor	**–**	(12,778)
Deferred financing costs	**(1,196)**	(1,032)
Bank loan	**8,673**	45,907
Total financing activities	**(13,153)**	5,617
Investing		
Additions to income properties	**(37,240)**	(15,750)
Development expenditures	**(9,449)**	(23,060)
Capital expenditures	**(522)**	(436)
Net proceeds from dispositions of property	**23,751**	2,671
Mortgages receivable	**(1,518)**	(12,793)
Other assets	**168**	357
Total investing activities	**(24,810)**	(49,011)
Foreign exchange loss on cash held in foreign currency	**(40)**	–
Increase (decrease) in cash and cash equivalents	**538**	(11,457)
Cash and cash equivalents, beginning of year	**2,569**	14,026
Cash and cash equivalents, end of year	**$ 3,107**	$ 2,569
Cash flow from operations per Unit *(Note 15)*	**$ 1.24**	$ 1.21

Supplemental Cash Flow Disclosure

1. During 1999, Barrhaven Crossing, a retail property located in Ottawa, Ontario, was disposed at a price of $8,308,000 with the purchaser assuming the existing mortgage in the amount of $5,238,000.

2. During 1999, 3100 Production Way, an industrial property located in Burnaby, B.C., was disposed at a price of $18,450,000 with the purchaser assuming the existing mortgage in the amount of $11,118,000.

3. During 1999, Phase III of Norwester, an industrial property located in Edmonton, Alberta, was acquired at a price of $7,719,000, paid partially with the conversion of a mortgage receivable in the amount of $3,642,000.

4. During 1999, Discovery Harbour Shopping Centre, a retail property located in Campbell River, B.C. was acquired at a price of $19,111,000, paid partially with an assumption of a mortgage in the amount of $11,552,000 and the conversion of a mortgage receivable, in the amount of $7,000,000.

5. During 1998, Depot 170, a retail property located in Edmonton, Alberta, and 80 Lakeshore, a residential property located in Pointe Claire, Quebec were acquired at prices of $13,100,000 and $9,367,000 respectively and the assumption of mortgages of $8,000,000 and $4,299,000 respectively.

6. During 1998, Hull Wal-Mart Centre, a retail property located in Hull, Quebec, was acquired at a price of $7,076,000, paid partially with an assumption of a mortgage in the amount of $5,243,000 and the conversion of a mortgage receivable in the amount of $1,734,000.

7. The cash interest paid during 1999 was $24,969,000 (1998 – $22,871,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1999

1. Organization of the Trust

Canadian Real Estate Investment Trust (the "Trust") is a "closed-end" real estate investment trust created for the benefit of the Unitholders. The Trust commenced active operations on behalf of the Unitholders on April 1, 1984.

2. Significant Accounting Policies

The Trust's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and are substantially in accordance with recommendations of the Canadian Institute of Public and Private Real Estate Companies. The more significant policies of which are described below:

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Trust and its wholly-owned subsidiaries.

(b) Income Properties

Income properties are stated at the lower of cost less accumulated depreciation and net recoverable amount (cost includes the original cost of the property, due diligence costs and other acquisition related costs). The net recoverable amount represents the undiscounted estimated future net cash flow expected to be received from the ongoing use and residual worth of the properties.

Depreciation is recorded on buildings using a 5% forty-year sinking fund basis. Under this method, depreciation is charged to income at an amount which increases annually, consisting of a fixed annual sum together with a factor compounded at the rate of 5% per annum so as to fully depreciate the buildings over a forty-year period.

Properties under development are stated at the lower of cost and economic value. Cost includes initial acquisition costs, other direct costs, property taxes, interest and operating revenues and expenses during the period of development.

(c) Leasing Costs

Leasing costs, including tenant inducements and leasing commissions, are deferred and amortized on a straight-line basis over the term of the respective leases. The unamortized balance of leasing costs are included in Deferred charges.

(d) Financing Costs

Financing costs are deferred and amortized on a straight-line basis over the term of the respective indebtedness. The unamortized balance of financing costs are included in Deferred charges.

(e) Maintenance Costs

Maintenance and repair costs are expensed against operations, while deferred maintenance costs, which are major items of repair or replacement, are amortized on a straight-line basis over the expected useful life of such major repair or replacement. The unamortized balance of deferred maintenance costs are included in Deferred charges.

(f) Co-ownerships

The Trust's investment in co-ownerships is accounted for using the proportionate consolidation method. In general, the Trust has recourse against a co-participant's share of co-ownership assets to secure repayment of any co-ownership liabilities paid in excess of its proportionate share and of advances made to or on behalf of a co-participant.

(g) Translation of Foreign Currencies

The Trust has self-sustaining subsidiaries in the United States, which are financially and operationally independent. Assets and liabilities of these investments are translated at the rate of exchange in effect at the balance sheet date. The resulting net gains or losses are accumulated in a separate component of Unitholders' Equity. Revenue and expense items are translated at the average exchange rate for the year.

The Trust uses forward exchange contracts to manage its foreign exchange risk exposures. The resulting gains or losses on forward exchange contracts, which represent designated hedges of net income from the U.S. subsidiaries, are recorded in a separate component of Unitholders' Equity as an offset to the above gains or losses. Any excess gains or losses on forward exchange contracts are recorded in the consolidated statement of income.

(h) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(i) Unit Option Plan

The Trust has a Unit Option Plan, as described in Note 10. No compensation expense is recognized for the Plan when Units or Unit Options are issued to employees or Trustees. Any consideration paid by employees or Trustees on the exercise of Options or the purchase of Units is credited to Unitholders' Equity. If Units or Unit Options are repurchased from employees or Trustees, the excess of the consideration paid over the carrying amount of the Unit or Unit Option cancelled is charged to Unitholders' Equity.

3. Income Properties

(Thousands of dollars)		**1999**		1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Freehold properties				
Land	**$ 121,868**	**$ –**	**$ 121,868**	$ 124,227
Buildings	**551,179**	**13,224**	**537,955**	529,472
Properties under development	–	–	–	4,472
	673,047	**13,224**	**659,823**	658,171
Leasehold properties	**39,414**	**320**	**39,094**	18,859
	$ 712,461	**$ 13,544**	**$ 698,917**	$ 677,030

4. Deferred Charges

(Thousands of dollars)	**1999**	1998
Deferred leasing costs (net of accumulated amortization of $5,911 in 1999; $3,477 in 1998)	**$ 13,213**	$ 10,806
Deferred financing costs (net of accumulated amortization of $438 in 1999; $875 in 1998)	**2,161**	1,410
Deferred recoverable maintenance costs (net of accumulated amortization of $1,463 in 1999; $1,087 in 1998)	**1,914**	1,384
Deferred non-recoverable maintenance costs (net of accumulated amortization of $246 in 1999; $176 in 1998)	**884**	665
	$ 18,172	$ 14,265

5. **Mortgages Receivable**

(a) **Hull Wal-Mart, Hull, Quebec**

The mortgage receivable from the co-owner of the Hull Wal-Mart property located in Hull, Quebec, subrogated to the first mortgage loan payable, in the amount of $2.4 million is in default. The Trust is currently in litigation with the co-owner. The Trust is of the opinion the collateral securing the mortgage receivable is sufficient to cover any non-repayment of the mortgage receivable.

(b) **Westside Village Shopping Centre, Victoria, B.C.**

The Trust entered into a loan agreement which has an option to convert to a minimum 50% equity interest in the year 2000, secured against Westside Village Shopping Centre located in Victoria, British Columbia. On April 6, 1998, a loan advance in the amount of $2 million, was made, and on February 1, 1999 a further $1 million was advanced. Such advances are subrogated to a first mortgage.

The loan bears interest at the rate of 9.5% per annum and expired on January 31, 2000. In addition to interest, the Trust is entitled to 50% of the annual cash flow generated by the Centre.

The Trust and the borrower are in discussions relating to a short-term extension of this loan.

6. **Co-ownerships**

The following amounts represent the Trust's interest in co-ownerships:

(Thousands of dollars)	**1999**	1998
Assets	**$ 120,754**	$ 113,678
Liabilities	**71,346**	60,991
Revenues	**17,952**	18,401
Expenses	**11,669**	12,412
Cash flow from (applied to):		
Operating activities	**5,557**	5,990
Financing activities	**4,310**	(1,861)
Investing activities	**2,476**	(2,196)

7. **Mortgages Payable**

Mortgages payable bear interest at a weighted average rate of 1999 – 7.25%; 1998 – 7.53% per annum.

Mortgages payable are secured by first and/or second charges on the Trust's interest in income properties and contain various clauses including an assignment of leases and amounts due from property rentals.

Included in mortgages payable is a U.S. $28,758,000 (Cdn. $41,506,000) mortgage obligation secured by a U.S. property which bears interest at a rate of 7.03%; 1998 – U.S. $29,160,000 (Cdn. $44,712,000).

Also included in mortgages payable is a $5,242,965 (1998 – $5,242,965) mortgage obligation secured by a first mortgage over the Hull Wal-Mart Centre. The first mortgage loan payable matured on August 31, 1999 and discussions are ongoing with the lender with respect to the renewal of the loan.

The mortgages are repayable as follows:

(Thousands of dollars)	
2000	$ 40,623
2001	59,054
2002	44,350
2003	64,474
2004	31,916
Thereafter	65,133
	$ 305,550

8. **Bank Loan**

The Trust has a revolving credit facility limited to $60 million for acquisition and operating purposes, which is secured by mortgages on 27 properties. The credit facility is subject to annual renewal. Interest under this facility is dependent upon the manner in which funds are drawn. LIBOR-based advances are based upon LIBOR plus 1.5% per annum, Prime-based advances are based upon Prime plus 0.5% per annum, and a stamping fee of 1.50% per annum is charged for Bankers' Acceptances. The majority of funds drawn under this facility are LIBOR and Bankers' Acceptances. As at December 31, 1999, a total of $54.6 million (including U.S. $11.34 million) had been drawn; December 31, 1998 – $47 million (including U.S. $10.78 million).

9. **Interest on Debt**

Interest incurred on all sources of financing is broken down as follows:

(Thousands of dollars)	**1999**	1998
Interest expensed on mortgages and bank loan	**$ 23,795**	$ 23,524
Interest capitalized on properties under development	**107**	553
Total interest incurred during the year	**$ 23,902**	$ 24,077

10. **Unitholders' Equity**

(a) **Units Issued and Outstanding**

The number of Units issued and outstanding are as follows:

Balance, December 31, 1997	32,953,407
Issued for cash	15,269
Issued for reinvested distributions	45,339
Cancellation of units repurchased	(15,000)
Balance, December 31, 1998	32,999,015
Issued for cash	16,362
Issued for reinvested distributions	26,979
Unit options exercised	8,000
Issued for termination of the management agreement	367,346
Balance, December 31, 1999	33,417,702

(b) Unit Option Plan

On June 5, 1998, the Unitholders passed a resolution implementing a Unit Option Plan ("the Plan") in favour of the officers, employees and Trustees of the Trust and officers, employees and directors of Dorchester Oaks Property Management Inc. and certain subsidiaries of the Trust. The total number of units in respect of which options may be granted under the Plan may not exceed 2,473,464.

Options granted to participants of the Plan, other than Trustees of the Trust, will vest over a three-year period from the grant date. Options granted to Trustees vest on the grant date.

Participants of the Plan, other than Trustees of the Trust, are required to invest an amount equal to 25% of his or her base salary at the time he or she joins the Plan, in units of the Trust over a five year period.

Pursuant to the Plan, the following activity occurred during 1999 and 1998:

Exercise Price	Unit Options Outstanding at December 31, 1998	Unit Options Granted	Unit Options Exercised	Unit Options Outstanding at December 31, 1999	Unit Options Vested at December 31, 1999	Expiry Date
$ 10.50	240,000	–	–	240,000	159,992	December 22, 2008
$ 11.00	200,000	–	–	200,000	133,332	December 22, 2008
$ 11.00	64,000	–	8,000	56,000	56,000	November 12, 2008
$ 12.05	–	32,000	–	32,000	32,000	June 30, 2009
$ 11.50	–	380,000	–	380,000	–	November 25, 2009

Exercise Price	Unit Options Outstanding at December 31, 1997	Unit Options Granted	Unit Options Exercised	Unit Options Outstanding at December 31, 1998	Unit Options Vested at December 31, 1998	Expiry Date
$ 10.50	–	240,000	–	240,000	79,996	December 22, 2008
$ 11.00	–	200,000	–	200,000	66,666	December 22, 2008
$ 11.00	–	64,000	–	64,000	64,000	November 12, 2008

11. Property Rental Revenue

Included in property rental revenue are recoveries of 1999 – $30,336,000; 1998 – $28,971,000 which represent operating costs and property taxes recovered from tenants.

12. Income Taxes

The Trust is taxed as a "Mutual Fund Trust" for Canadian income tax purposes. Pursuant to the Declaration of Trust, the Trustees intend to distribute or designate all taxable income to the Unitholders of the Trust and to deduct such distributions and designations for Canadian income tax purposes. Therefore, no provision for Canadian income taxes is required. The Trust is subject to taxation in the United States in connection with income earned in the United States. Such taxes paid, to the extent permitted, will be designated as a foreign tax credit to Unitholders of the Trust.

13. Related Party Transactions

(a) CREIT Management Inc. ("CMI") was the Manager of the Trust until July 2, 1999 and provided, or arranged for the provision of research, accounting, transfer agency and management services to the Trust, provided advice with respect to the Trust's property investment portfolio, subject to the control and direction of the Trustees, and presented investment opportunities to the Trustees and the Investment Committee of the Trustees for their consideration. The former Manager was wholly-owned by Dorchester Oaks Corporation, an entity controlled by Stephen Johnson, President and Chief Executive Officer of the Trust, and Morris Shohet, a Trustee of the Trust.

Effective July 2, 1999, the management agreement with CMI was terminated resulting in asset management services being provided directly by employees of the Trust. The aggregate consideration paid by the Trust for the termination of the management agreement and the purchase of all of the assets of the Manager used in the provision of management services to the Trust was $7.5 million, satisfied by: (i) the issuance on July 2, 1999 of 367,346 Units of the Trust at $12.25 per Unit representing $4.5 million and (ii) the assumption of a promissory note in the amount of $3 million, repayable on February 15, 2000.

During the years ended December 31, 1999 and 1998, the Trust paid the following fees to the former Manager:

	1999	1998
Management fees	**$ 1,286,000**	$ 2,553,000
Acquisition fees on acquisition of properties	**421,000**	197,000
Disposition fees on disposition of properties	**36,000**	7,000
	$ 1,743,000	$ 2,757,000

The acquisition fees are included as part of the relevant asset in the Consolidated Balance Sheets and the disposition fees are included in the gain or loss on disposition.

(b) Dorchester Oaks Property Management Inc. (controlled by Dorchester Oaks Corporation) is the Property Manager of the majority of the Trust's properties. Under the Internalization Agreement dated April 30, 1999, the Trust agreed to terminate the Property Management Agreement and to directly assume the services this entity provided to the Trust. As part of the Agreement, the Trust will acquire the assets used in the provision of the property management services to the Trust. The termination will occur on a date determined by Dorchester Oaks Property Management Inc., but no later than January 5, 2001.

The aggregate cash consideration to be paid by the Trust for the termination of the property management agreement and the purchase of all of the assets of the Property Manager used in the provision of property management services to the Trust will be the lesser of: (i) the fair market value of the property management agreement and such assets, as determined at the relevant time by an independent third party valuator, and (ii) $5 million.

During the years ended December 31, 1999 and 1998, the Trust paid the following fees to the Property Manager and other entities under common control:

	1999	1998
Property management fees, development fees, leasing commissions and salaries and administrative recoveries	**$ 5,682,000**	$ 5,653,000

Property management fees and salaries and administrative recoveries are included in operating costs in the Consolidated Statements of Income. Payments of approximately $1,780,000 (December 31, 1998 – $1,810,000) were included in recoverable costs from tenants at the respective properties. The balance of the fees paid to the Property Manager are included as part of the relevant asset in the Consolidated Balance Sheets.

14. Management and Other Fees

Management and other fees payable to CREIT Management Inc. and its affiliate prior to July 2, 1999 were calculated as follows:

i) An annual management fee payable monthly and calculated at the aggregate rate set forth below:

Adjusted Unitholders' Equity	Rate (per annum)
Up to $100 million	1.00%
Between $100 million and $200 million	0.75%
In excess of $200 million	0.50%

ii) A fee of 0.65% of the total acquisition price upon any purchase of income property by the Trust; and

iii) A fee of 0.25% of the total sale price upon any sale of income property by the Trust.

15. Per Unit Calculations

Per Unit information is calculated based on the weighted average number of Units outstanding during the period which amounted to 33,209,973 (1998 – 32,975,728).

16. Risk Management and Fair Values

Risk Management

In the normal course of its business, the Trust is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to minimize them, are as follows:

(a) Interest Rate Risk

Interest rate risk is minimized as floating rate debt is restricted by the terms of the Trust's operating plan to an amount equal to 10% of total assets plus accumulated depreciation. In addition, the Trust attempts to structure its financings so as to stagger the maturities of its debt, thereby minimizing its exposure to interest rate fluctuations.

From time to time, the Trust may enter into interest rate swap contracts to modify the interest rate profile of its outstanding debt without an exchange of the underlying principal amount.

(b) Credit Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Trust mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of all new leasing. Further risks arise in the event borrowers default on the repayment of their mortgages to the Trust. The Trust endeavours to ensure that adequate security has been provided in support of mortgages receivable.

(c) Currency Risk

The Trust is exposed to currency risk as it relates to its self-sustaining U.S. subsidiaries. Unfavourable changes in the applicable exchange rate may result in a decrease or increase in income or expense.

The Trust mitigates this risk by matching foreign currency debt with foreign currency assets.

The Trust entered into forward exchange contracts to hedge the income after mortgage interest relating to its U.S. subsidiaries. The outstanding forward exchange contract sells a notional amount of U.S. $70,700, maturing on January 14, 2000 at an exchange rate of Cdn. $1.418.

In January 2000, the Trust entered into forward exchange contracts to sell a notional amount of $486,000, maturing monthly over nine months beginning April 15, 2000.

(d) Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude all aspects of the Year 2000 Issue that may affect the Trust, including those related to customers, suppliers or other third parties, have been fully resolved.

Fair Values

The fair value of the majority of the Trust's financial assets and liabilities, representing net working capital, approximate their recorded values at December 31, 1999 due to their short term nature. In these circumstances, fair value is determined to be the market or exchange value of the assets and liabilities.

The recorded value of the Trust's mortgages payable exceeds the fair value by approximately $5.1 million at December 31, 1999 (December 31, 1998 – $(4.1) million) due to changes in interest rates since the dates on which the individual mortgages were assumed. The fair value of mortgages payable has been estimated based on the current market rates for mortgages with similar terms and conditions.

The fair value of the outstanding forward exchange contract, based on cash settlement requirements, at December 31, 1999, is a negative value of $1,789 due to changes in the foreign currency exchange rate since the date on which the contract was made.

17. Segmented Financial Information

The Trust's operations cover various types of real estate properties located in two countries. The following summaries present segmented financial information for these property types and geographic locations:

(Thousands of dollars)	1999						
	Retail	Industrial	Office	Multi-family	Misc.	Trust	Total
Property rental revenue	$ 56,529	$ 26,166	$ 19,534	$ 3,250	$ 638	$ –	$ 106,117
Operating costs	(18,199)	(8,903)	(8,367)	(1,325)	(327)	–	(37,121)
Amortization of leasing costs	(769)	(915)	(1,024)	–	(8)	(127)	(2,843)
Depreciation	(3,092)	(1,181)	(838)	(164)	–	–	(5,275)
Gain (loss) on disposition of property	915	83	(29)	–	–	–	969
Total assets	431,611	154,037	111,580	21,912	3,562	7,651	730,353
Additions to income properties	29,355	21,918	17,606	4	–	–	68,883
Capital expenditures	92	–	–	422	8	–	522

(Thousands of dollars)	1999							
	Canada							
	B.C.	Prairies	Ontario	Quebec	Maritimes	U.S.	Trust	Total
Property rental revenue	$ 23,632	$ 27,091	$ 33,655	$ 7,246	$ 8,025	$ 6,468	$ –	$106,117
Operating costs	(7,849)	(8,741)	(13,178)	(3,193)	(3,066)	(1,094)	–	(37,121)
Amortization of leasing costs	(778)	(756)	(569)	(169)	(408)	(36)	(127)	(2,843)
Depreciation	(1,293)	(1,404)	(1,508)	(340)	(318)	(412)	–	(5,275)
Gain (loss) on disposition of property	948	(894)	915	–	–	–	–	969
Total assets	169,758	207,482	197,201	47,221	42,736	58,304	7,651	730,353
Additions to income properties	19,442	40,465	6,838	1,251	887	–	–	68,883
Capital expenditures	34	28	–	438	–	22	–	522

(Thousands of dollars)	1998						
	Retail	Industrial	Office	Multi-family	Misc.	Trust	Total
Property rental revenue	$ 54,119	$ 24,516	$ 19,768	$ 2,844	$ 733	$ –	$ 101,980
Operating costs	(17,120)	(8,425)	(8,640)	(1,153)	(210)	–	(35,548)
Amortization of leasing costs	(485)	(559)	(771)	–	(8)	(118)	(1,941)
Depreciation	(2,780)	(1,081)	(804)	(135)	–	–	(4,800)
Gain on disposition of property	–	2	–	–	–	–	2
Total assets	414,407	155,139	102,256	21,599	3,554	16,408	713,363
Additions to income properties	36,905	11,344	–	9,837	–	–	58,086
Capital expenditures	263	151	3	3	16	–	436

(Thousands of dollars)	1998							
	Canada							
	B.C.	Prairies	Ontario	Quebec	Maritimes	U.S.	Trust	Total
Property rental revenue	$ 24,387	$ 24,679	$ 33,565	$ 6,803	$ 6,309	$ 6,237	$ –	$101,980
Operating costs	(7,846)	(8,089)	(13,303)	(3,115)	(2,315)	(880)	–	(35,548)
Amortization of leasing costs	(578)	(587)	(315)	(110)	(198)	(35)	(118)	(1,941)
Depreciation	(1,282)	(1,171)	(1,398)	(295)	(262)	(392)	–	(4,800)
Gain on disposition of property	–	–	2	–	–	–	–	2
Total assets	175,678	173,515	198,296	45,649	41,594	62,223	16,408	713,363
Additions to income properties	9	30,583	6,745	17,236	3,416	97	–	58,086
Capital expenditures	6	152	152	19	107	–	–	436

A reconciliation of statement of income line items noted above to net income is not considered necessary as all other line items on the face of the statement of income are not allocated by the Trust to defined segments.

18. Commitments

(a) Letters of Credit

As of December 31, 1999, the Trust had issued letters of credit in the amount of $689,059.

(b) Expansion Lands

In the event certain expansion lands relating to various properties are developed, the Trust may be required to invest an additional $15 million.

19. Pension Plan

Effective July 2, 1999, the Trust assumed all of the employees of the former Manager. The pension plan assets related to these employees were transferred to the pension plan established by the Trust, which is a defined contribution pension plan. The Trust has incurred current service costs in the amount of $14,292 during 1999. No provision for future contributions is required and there is no amortization of past service costs included in the current service cost.

20. Merger Break Fee Net of Costs

On August 31, 1999, the Trust entered into a merger support agreement (the "Agreement") with Avista Real Estate Investment Trust ("Avista"), whereby the Trust offered to acquire all of the assets and assume all of the liabilities of Avista in exchange for Units of the Trust. On October 20, 1999 the Avista Unitholders approved a competing offer and under the terms of the Agreement, the Trust received a $4 million break fee. The break fee, net of the costs associated with the offer and net of the costs associated with an earlier and unrelated merger attempt, was $1.732 million during 1999.

21. Subsequent Event

On January 28, 2000, the Trust disposed of the property located at 272 Queen Street, Ottawa, Ontario for $8 million resulting in a gain of approximately $4.6 million. On closing, the Trust assumed a take-back mortgage in the amount of $5.2 million bearing interest at the rate of 10% and maturing on July 28, 2002.

22. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

BOARD OF TRUSTEES

David Philpott* (Non-Executive Chairman)
President, D. G. Philpott & Associates Limited (real estate business consulting firm) since 1972. Mr. Philpott has been a Director of Seel Mortgage Investment Corporation since 1972, and was Chairman between 1981 and 1992. He was a Trustee of MD Realty Fund prior to 1994 and a member of the Advisory Board to MD Realty between 1994 and September 30, 1996. Mr. Philpott has been a Trustee of CREIT since September 1996.

Stephen Johnson
President and Chief Executive Officer of Canadian Real Estate Investment Trust and Chairman and Chief Executive Officer of Dorchester Oaks Property Management Inc. Since 1993, Mr. Johnson has been a principal of the Dorchester group of companies, which own and manage a portfolio of real estate properties in Canada and the United States. Previously President of DS Marcil Inc., Mr. Johnson has more than 20 years experience in the real estate industry.

Robert J. S. Gibson*
President and Chief Executive Officer of Stuart & Company Limited (investment company) since January 1993. Mr. Gibson has been a Director of Alsten Holdings Ltd. (real estate development and management company) since 1978 and is currently a Managing Director. Mr. Gibson has been a Trustee of CREIT since November 1997.

Paul Gooderham†
President of ERG Transit Systems since 1996. Prior to that Mr. Gooderham was President of Gooderham Management Limited, a real estate development consulting company, and President of Triax Infrastructure Management Corporation, a real estate facilities management company. He was a Director of MD Realty Fund between 1994 and September 30, 1996. Mr. Gooderham has been a Trustee of CREIT since September 1996.

Dr. Stanley Hamilton**
Professor and Associate Dean, Urban Land Economics Division, University of British Columbia. Dr. Hamilton was a Trustee of MD Realty Fund prior to 1994 and a member of the Advisory Board of MD Realty Fund between 1994 and September 30, 1996. Dr. Hamilton has been a Trustee of CREIT since September 1996.

Robert Hewett†
President and Chief Executive Officer, MD Management. Mr. Hewett assumed this position at the end of January 1997. Previously he was President, English Language Broadcasting Division, Telemedia Inc. Mr. Hewett has been a Trustee of CREIT since September 1996.

Lawrence Morassutti, C.A.*†
Chairman and Chief Executive Officer, the Morassutti Group (real estate development, management and appraisal). Mr. Morassutti has been a Trustee of CREIT since 1990. He has appeared as an expert witness on real estate valuation matters before a variety of courts and government regulatory bodies across Canada.

Morris Shohet*
Principal, the Dorchester group of companies (real estate and energy companies). Mr. Shohet was a co-founder of Dorchester and has more than 30 years continuous experience in all aspects of real estate development and asset management. Mr. Shohet has been a Trustee of CREIT since September 1996.

John A. Vivash**
President and Chief Executive Officer of Tesseract Financial Inc. and Chairman and Chief Executive Officer of Vivash Consulting Inc. Prior to that Mr. Vivash was President and Chief Executive Officer of Manulife Securities International Limited. From March 1990 until September 1995, Mr. Vivash was President of CIBC Securities Limited. Mr. Vivash provides management and governance services to a variety of organizations and is a director of a number of public and private companies. Mr. Vivash has been a Trustee of CREIT since September 1996.

Robert Witterick, Q.C.**
Solicitor, Smith Lyons, Barristers and Solicitors. Mr. Witterick has been a partner at Smith Lyons specializing in taxation and corporate/commercial law, with particular emphasis on the taxation and structuring of real estate investments and real estate syndications. Mr. Witterick has been a Trustee of CREIT since 1990.

* *Investment Committee*
† *Audit Committee*
** *Governance Committee*

As we bring together the teams of CREIT and Dorchester Oaks Property Management Inc., we are proud of our management strength and valuable infrastructure.

National Office
Hillary Ayliffe
Bill Barta
Elizabeth Batalla
Joe Benedict
Fatema Bhujwalla
Valerie Blakeney
Tania Caceres
Mary Chow
Daniela Conforti
Richard Dansereau
Michael Diminno
Leslie Ganter
Heather Garvie
Alex Gyohannes
Carol Hum
Cathy Irish
Houshang Jafari
Stephen Johnson
Judy Kan
Mano Kandiya
David Khan
Alan Levine
Jean Lin
David Louie
Sylvie Lourenco
Mary Lun
Preeya Maharaj
Ramon Marukot
Linda McDonell
Brian McKrow
Tim McSorley
Sook Mohan
Eleanor Ng
Gina Papazian
Karen Peacock
Rasma Pludums
Joseph Pooppally
John Quattrocchi
Morrie Shohet
Roy Singh
Elena Siongco
Judith Somerville
Jerome Thompson
Nora Vivas
Michael Weinberg

Vancouver (Pacific Region)
Cindy Chun
Jack Garrof
Rosie Hecimovic
Trevor Lee
Kim McDonald
Robert O'Brien
David Wingate

Calgary (Western Region)
Dragan Dragovic
Alison Duffy
Marilyn Genoe
John Gionet
Chris Harmata
Warren Harrison
Debbie Miller
Jo Anne Oke
Bob Parsons
Ruth Steven

Toronto (Ontario Region)
Kevin Antoniuk
Amy Barlow
Jean Barrett
Jose Bravo
Carmela Corrado
Perry Delfin
Paulo DeMelo
John Depaiva
Francis Kwok
Warwick Marchant
Keith Shiels
Amanda Strutt

Cornwall
Jill Bilodeau
Doe Dube
Doug Gordon
Linda Latreille
Rob Mc Kee

Montreal (Quebec Region)
Wendy Bateman
Germaine Cayouette
Raymond Choquette
Angela Ditullio
Nicole Dubreuil
Regent Dubreuil
Peter Gorman
Victor Guindi
Susan Darney Hall
Helene Harvey
Sandra Kokiv
Louise Laurencelle
Mariette Levellie
Jean Paul Martin
Maureen Mcalear

Halifax (Atlantic Region)
Brenda Clark
Wendy Heisler
Margo Jeffery
Darrel Lynch
John Morehouse
Scott Muzzerall
Stafford Quick
Bev Sweetman

Chicago
Rudy Banducci
Christine Karpluk
John Minor
Margaret O'Rourke
Denise Polak
Mary Ann Zagorac

UNITHOLDER INFORMATION

Stock Exchange Listing

Units of CREIT are listed on The Toronto Stock Exchange under the trading symbol "REF.UN".

Distribution Reinvestment and Unit Purchase Plans

CREIT's Distribution Reinvestment and Unit Purchase Plans provide Unitholders who are direct registrants with an opportunity to conveniently and economically increase their ownership in CREIT. Unitholders may have their distributions and/or optional cash investments automatically directed to our transfer agent to purchase additional Units without paying any brokerage commissions. Information describing the Plans and enrollment forms are available from CREIT (416) 921-7771 (Ext. 252).

Taxation of Distributions

The Trust has determined that distributions paid to its Unitholders in respect of the tax year ending December 31, 1999 are taxed as follows:

Other income	19.36%
Capital gain	3.67%
Reduction of adjusted cost base	76.97%

Plan Eligibility

- RRSP
- RRIF
- DPSP
- RPP

Transfer Agent and Registrar

Investors are encouraged to contact our Transfer Agent and Registrar, CIBC Mellon Trust Company, for information regarding their security holdings. They can be reached at:

CIBC Mellon Trust Company
P.O. Box 1
320 Bay Street
Toronto, Ontario
M5H 4A6

Answerline™: (416) 643-5500 or 1-800-387-0825
(*Toll-free throughout North America*)
Fax: (416) 643-5501
Web site: www.cibcmellon.ca
E-mail: inquiries@cibcmellon.ca

Investor Information

Analysts, Unitholders and others seeking financial data should contact:

Tim McSorley (CFO): (416) 921-7771 (Ext. 258)

For all other needs please contact:
Leslie Ganter: (416) 921-7771 (Ext. 252)

Historical Distributions/Unit Price Information

The following table shows the high and low sales prices for the Trust's Units on The Toronto Stock Exchange and cash distributions paid for the periods indicated.

Year ended Dec. 31, 1999	High	Low	Distributions per Unit
1st Quarter	$ 11.00	$ 10.20	$ 0.292
2nd Quarter	$ 12.85	$ 10.60	$ 0.292
3rd Quarter	$ 12.70	$ 11.90	$ 0.292
4th Quarter	$ 12.40	$ 10.25	$ 0.292
Total			$ 1.17
2000			
January	$ 10.90	$ 9.20	$ 0.0975
February	$ 9.95	$ 8.80	$ 0.0975

Distributions to Unitholders are paid monthly.

The closing price of Units on The Toronto Stock Exchange on February 29, 2000 was $9.10 per Unit.

Industry Associations

CREIT is a member of the International Council of Shopping Centres (ICSC) and the Canadian Institute of Public and Private Real Estate Companies (CIPPREC).

Auditors

Deloitte & Touche LLP

Legal Counsel

Torys

Canadian Real Estate Investment Trust

130 Bloor Street West, Suite 1001
Toronto, Ontario
Canada M5S 1N5
Tel: (416) 921-7771
Fax: (416) 921-3435
Web site: www.creit.ca

Annual and General Meeting of Unitholders

The annual and general meeting of Unitholders will be held at 10:30 a.m. on Friday, May 5, 2000 at the Board of Trade, 4th Floor, Boardrooms A-D, One First Canadian Place, Toronto (Adelaide Street entrance).

DISTRIBUTION REINVESTMENT PLAN AND UNIT PURCHASE PLAN

CREIT UNITHOLDERS WHO ARE DIRECT REGISTRANTS ARE ABLE TO CONVENIENTLY AND ECONOMICALLY INCREASE THEIR HOLDINGS IN CREIT BY TAKING ADVANTAGE OF THE TRUST'S DISTRIBUTION REINVESTMENT PLAN AND UNIT PURCHASE PLAN.

Distribution Reinvestment Plan

Monthly distributions are automatically reinvested in additional CREIT Units without payment of any brokerage commissions. The price of Units purchased with such distributions will be 97% of the weighted average price at which Units of CREIT have traded on the TSE for the five trading days immediately preceding the distribution date.

Unit Purchase Plan

Optional periodic cash investments in additional CREIT Units may be made without paying any brokerage commissions. Minimum purchases of $250 per purchase and maximum purchases of $25,000 per year are permitted under the plan. Optional cash payments are invested at the weighted average price at which Units of CREIT have traded on the TSE for the five trading days preceding the date of purchase of additional Units (first day of each calendar month). Distributions on Units held under the cash option plan are automatically reinvested in additional CREIT Units.

Participants in the Unit Purchase Plan can elect to use the Automatic Investment Service, similar to pre-authorized chequing, which allows for automatic withdrawal from your bank account should you wish to make regular periodic purchases.

Plans are offered only to Canadian resident registered holders of Units, meaning those Unitholders who hold their Units in certificate form. This is necessary in order to allow for the administration of the plans by our Registrar and Transfer Agent – CIBC Mellon Trust Company.

In order to participate you must first become a direct registrant of CREIT. If you are not already a direct registrant and you wish to participate in the plans, you must request a share certificate from your broker in respect of your CREIT Units. It is likely that your broker will charge you a service fee (in the $30–$60 range) in order to deliver the certificate to you. This fee will be offset by your future savings in brokerage commissions since all administrative costs of the plans are borne by CREIT. We recommend that you then arrange for safekeeping of your certificate (e.g., in a safety deposit box) to prevent the possible loss of your certificate.

Once you have received your certificate, please contact CREIT in order to request an information package including full plan details along with an enrollment form, available on our Web site as well – www.creit.ca.

For further information regarding CREIT's Distribution Plan and Unit Purchase Plan, please contact CREIT at:

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Tel: (416) 921-7771 (Ext. 252)
Fax: (416) 921-3435

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